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DEPARTMENT OF HOMELAND SECURITY

Better Planning and Oversight Needed to Improve Complex Service Acquisition Outcomes

Statement of John P. Hutton, Director
Acquisition and Sourcing Management



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Highlights of [GAO-08-765T](#), a testimony before the Committee on Homeland Security, House of Representatives

Why GAO Did This Study

The Department of Homeland Security (DHS) has relied on service acquisitions to meet its expansive mission. In fiscal year 2006, DHS spent \$12.7 billion to procure services. To improve service acquisition outcomes, federal procurement policy establishes a preference for a performance-based approach, which focuses on developing measurable outcomes rather than prescribing how contractors should perform services.

This testimony focuses on how contract outcomes are influenced by how well DHS components have defined and developed contract requirements and performance standards, as well as the need for improved assessment and oversight to ensure better acquisition outcomes.

GAO's statement is based on its report being released today, which reviewed judgmentally selected contracts for eight major investments at three DHS components—the Coast Guard, Customs and Border Protection (CBP), and the Transportation Security Administration (TSA)—totaling \$1.53 billion in fiscal years 2005 and 2006; prior GAO and DHS Inspector General reviews; management documents and plans; and related data, including 138 additional contracts, primarily for basic services from the Coast Guard, CBP, TSA, and Immigration and Customs Enforcement.

DEPARTMENT OF HOMELAND SECURITY

Better Planning and Oversight Needed to Improve Complex Service Acquisition Outcomes

What GAO Found

Over the past several years, GAO has found that appropriate planning, structuring, and monitoring of agency service acquisitions, including those that are performance-based, can help minimize the risk of cost overruns, delayed delivery, and unacceptably quality. Several prior GAO and DHS Inspector General reviews of major DHS investments using a performance-based approach point to such shortcomings. While all of the contracts GAO reviewed at the Coast Guard, CBP, and TSA had outcome-oriented requirements, contracts for four of the eight investments did not have well-defined requirements, or a complete set of measurable performance standards, or both at the time of contract award or start of work. These service contracts experienced cost overruns, schedule delays, or did not otherwise meet performance expectations. In contrast, contracts for the other four investments had well-defined requirements linked to measurable performance standards and met the standards for contracts that had begun work.

In managing its service acquisitions, including those that are performance-based, DHS has faced oversight challenges that have limited its visibility over service acquisitions and its ability to make informed acquisition management decisions. Notably, the department lacks reliable data on performance-based service acquisitions. About half of the 138 contracts identified by DHS as performance-based had none of the elements DHS requires for such contracts: a performance work statement, measurable performance standards, or a quality assurance surveillance plan. Such inaccurate data limit DHS's ability to perform management assessments of these acquisitions. In addition, the Chief Procurement Officer, who is responsible for departmentwide procurement oversight, has not conducted management assessments of performance-based service acquisitions.

To help DHS improve outcomes for its service acquisitions, including those that are performance-based, GAO recommended that DHS routinely assess requirements for complex investments to ensure that they are well-defined, and develop consistently measurable performance standards linked to those requirements. GAO also recommended that DHS systematically evaluate the outcomes of major investments and relevant contracting methods and improve the quality of data to facilitate identifying and assessing the use of various contracting methods. DHS generally concurred with GAO's recommendations, noting some departmental initiatives to improve acquisition management.

To view the full product, including the scope and methodology, click on [GAO-08-765T](#). For more information, contact John Hutton at (202) 512-4841 or huttonj@gao.gov.

Mr. Chairman and Members of the Committee:

Thank you for inviting me here today to discuss the Department of Homeland Security's (DHS) planning and assessment of its complex service acquisitions. To meet its expansive homeland security mission, DHS spends billions of dollars on service acquisitions for critical trade, transportation, and border security investments. In fact, more than 80 percent of DHS's total procurement dollars are spent on services. Prior GAO work has found that appropriate planning, structuring, and monitoring of acquisitions is critical to ensuring that the services provided meet the government's needs.¹ To help improve service acquisition outcomes, federal procurement policy calls for agencies to use a performance-based approach to the maximum extent practicable. This approach includes a performance work statement that describes outcome-oriented requirements, measurable performance standards, and quality assurance surveillance. If properly implemented, these characteristics can help ensure that contracted services meet cost, schedule, and performance requirements. Other factors, such as pressure to get programs up and running, additional external requirements, and technological challenges also impact the ability to achieve good acquisition outcomes.

While a performance-based approach has been widely accepted, we have found that agencies face certain challenges in implementing the approach—especially for complex or major investments. My testimony today will focus on the particular challenges DHS has confronted. Specifically, I will discuss how contract outcomes are influenced by how well DHS components have defined and developed contract requirements and performance standards. I will also discuss the need for improved assessment and oversight to ensure better outcomes.

My statement is based on our report that is being released today.² This report focused on contracts for major investments with complex service acquisitions at the Coast Guard, Customs and Border Protection (CBP), and the Transportation Security Administration (TSA)—three of the DHS components reporting among the highest obligations for performance-

¹For example, GAO, *Defense Acquisitions: Tailored Approach Needed to Improve Service Acquisition Outcomes*, [GAO-07-20](#) (Washington, D.C.: Nov. 9, 2006).

²GAO, *Department of Homeland Security: Better Planning and Assessment Needed to Improve Outcomes for Complex Service Acquisitions*, [GAO-08-263](#) (Washington, D.C.: Apr. 22, 2008).

based service acquisitions in fiscal years 2005 and 2006. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Summary

Over the past several years, we have found that if agency service acquisitions, including those that are performance-based, are not appropriately planned, structured, and monitored, there is an increased risk that the government may receive products or services that are over budget, delivered late, and of unacceptable quality. Several prior GAO and DHS Inspector General reviews of major DHS investments using a performance-based approach point to such shortcomings. For the report we are releasing today, we reviewed contracts for eight major investments at the Coast Guard, CBP, and TSA and found that all had outcome-oriented requirements—as required in acquisition regulations and policy. However, contracts for four of these investments did not have well-defined requirements, or a complete set of measurable performance standards, or both at the time of contract award or start of work. These service contracts experienced cost overruns, schedule delays, or did not otherwise meet performance expectations. In contrast, service contracts for the other four investments had well-defined requirements linked to measurable performance standards and performed within budget meeting the standards in all cases where contractors had begun work. DHS components conducted quality assurance surveillance, and for the contracts that had negative outcomes, surveillance helped to identify contractor performance weaknesses and corrective action was taken.

In managing its service acquisitions, including those that are performance-based, DHS has faced oversight challenges, including a lack of reliable data and systematic management reviews. Although contracting and program staff at DHS components told us that they used a performance-based approach to the maximum extent practicable, the department does not have reliable data to facilitate required reporting or perform management assessments of these acquisitions. Our review of an additional 138 contracts, which were primarily for basic services, found that about half of the contracts coded by DHS as performance-based had none of the three elements DHS requires: a performance work statement, measurable performance standards, or a quality assurance surveillance plan. Inaccurate data limit DHS's visibility over service acquisitions and

the department's ability to make informed acquisition management decisions. The Chief Procurement Officer (CPO), who has responsibility for departmentwide procurement oversight, has begun some initial review of performance-based service acquisitions, but has not conducted management assessments of this acquisition method.

Background

Over the last decade, the use of federal service contracting has increased and now accounts for over 60 percent of federal procurement dollars spent annually. A performance-based approach to federal service contracting was introduced during the 1990s, representing a shift from specifying the way in which contractors should perform work to specifying acquisition outcomes. Regardless of the contracting method, focusing on outcomes and collaboration among multiple stakeholders in the contracting process has been acknowledged as sound contract management. In 2000, federal procurement law established a performance-based approach as the preferred acquisition method for services.³ The Federal Acquisition Regulation requires all performance-based service acquisitions to include

- a performance work statement that describes outcome-oriented requirements in terms of results required rather than the methods of performance of the work;
- measurable performance standards describing how to measure contractor performance in terms of quality, timeliness, and quantity; and
- the method of assessing contract performance against performance standards, commonly accomplished through the use of a quality assurance surveillance plan.⁴

A 1998 Office of Federal Procurement Policy (OFPP) study on performance-based contracts—based largely on contracts for basic services, such as janitorial or maintenance services—showed that a

³Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Pub. L. No. 106-398 § 821(a) (2000) required that the Federal Acquisition Regulation (FAR) be revised to establish a preference for the use of a performance-based approach in the acquisition of services, which was done in FAR 37.102(a), providing that performance-based acquisition is the preferred method for acquiring services and generally is to be used to the maximum extent practicable. In addition, this act established a preference for using firm fixed-price contracts or task orders—where a specified price is paid regardless of the contractor's incurred costs—when using a performance-based approach for service acquisitions.

⁴FAR 37.601; FAR 37.602(b); FAR 37.604. A fourth element, performance incentives, is required where appropriate.

number of anticipated benefits had been achieved, including reduced acquisition costs, increased competition for contracts, and improved contractor performance.⁵ However, implementing a performance-based approach is often more difficult for complex acquisitions, such as information technology, than it is for basic services, because agencies begin with requirements that are less stable, making it difficult to establish measurable outcomes. Such complex acquisitions may need to have requirements and performance standards continually refined throughout the life-cycle of the acquisition for a contractor to deliver a valuable service over an extended period of time. OFPP also has noted in policy that certain types of services, such as research and development, may not lend themselves to outcome-oriented requirements.

To encourage agencies to apply a performance-based approach to service acquisitions, the Office of Management and Budget (OMB) established governmentwide performance targets, which increased to 50 percent of eligible service contract dollars for the current fiscal year. In January 2007, the congressionally mandated Acquisition Advisory Panel reported that performance-based acquisition has not been fully implemented in the federal government, despite OMB encouragement, and recommended that OMB adjust the governmentwide target to reflect individual agency assessments and plans.⁶ In May 2007, OMB's OFPP issued a memo providing that agencies, at a minimum, were expected to meet targets established and report on them in their management plans. In response, DHS's CPO established a performance-based target of 25 percent for fiscal year 2007, increasing to 40 percent by fiscal year 2010, that was included in DHS's Performance-Based Management Plan. The Acquisition Advisory Panel also recommended that OFPP issue more explicit implementation guidance and create an "Opportunity Assessment" tool to help agencies identify when they should consider using this acquisition method.

⁵Office of Management and Budget, Office of Federal Procurement Policy, *A Report on the Performance-Based Service Contracting Pilot Project*, May 1998.

⁶Report of the Acquisition Advisory Panel to the Office of Federal Procurement Policy and the United States Congress, January 2007.

Requirements and Standards Definition Influence Program Outcomes

Our work has found that performance-based acquisitions must be appropriately planned and structured to minimize the risk of the government receiving services that are over cost estimates, delivered late, and of unacceptable quality.⁷ Specifically, we have emphasized the importance of clearly defined requirements to achieving desired results and measurable performance standards to ensuring control and accountability. Prior GAO and DHS Inspector General reviews of complex DHS investments using a performance-based approach point to a number of shortcomings. For example, in June 2007, we reported that a performance-based contract for a DHS financial management system, eMerge2, lacked clear and complete requirements, which led to schedule delays and unacceptable contractor performance.⁸ Ultimately, the program was terminated after a \$52 million investment. In March 2007, we similarly reported that the Coast Guard's performance-based contract for replacing or modernizing its fleet of vessels and aircraft, Deepwater, had requirements that were set at unrealistic levels and were frequently changed.⁹ This resulted in cost escalation, schedule delays, and reduced contractor accountability. The DHS Inspector General has also indicated numerous opportunities for DHS to make better use of sound practices, such as well-defined requirements.¹⁰

Consistent with our prior work, definition of requirements and performance standards influenced outcomes for the eight complex investments we reviewed. In using a performance-based approach, sound contracting practices dictate that required contract outcomes or requirements be well-defined, providing clear descriptions of results to be achieved. While all eight contracts for these investments had outcome-oriented requirements, the requirements were not always well-defined.¹¹

⁷GAO-07-20.

⁸GAO, *Homeland Security: Departmentwide Integrated Financial Management Systems Remain a Challenge*, GAO-07-536 (Washington, D.C.: June 21, 2007).

⁹GAO, *Coast Guard: Status of Efforts to Improve Deepwater Program Management and Address Operational Challenges*, GAO-07-575T (Washington D.C.: Mar. 8, 2007).

¹⁰See for example, Department of Homeland Security Inspector General, *Major Management Challenges Facing the Department of Homeland Security*, OIG-08-11 (Jan. 2008), and Department of Homeland Security Inspector General, *Transportation Security Administration's Information Technology Managed Services Contract*, OIG-06-23 (Feb. 2006).

¹¹FAR 2.101 specifically provides that a performance work statement for performance-based acquisitions describe the required results in clear, specific, and objective terms with measurable outcomes.

Further, contracts for half of the investments did not have a complete set of measurable performance standards. Appendix I provides a summary of our analysis of the requirements, performance standards, and outcomes for the eight performance-based contracts for major investments we reviewed.

Complex investments with contracts that did not have well-defined requirements or complete measurable performance standards at the time of contract award or start of work experienced either cost overruns, schedule delays, or did not otherwise meet performance expectations. For example, contracts for systems development for two CBP major investments lacked both well-defined requirements and measurable performance standards prior to the start of work and both experienced poor outcomes. The first, for DHS's Automated Commercial Environment (ACE) Task Order 23 project—a trade software modernization effort—was originally estimated to cost \$52.7 million over a period of approximately 17 months.¹² However, the program lacked stable requirements at contract award and, therefore, could not establish measurable performance standards and valid cost or schedule baselines for assessing contractor performance. Software requirements were added after contract award, contributing to a project cost increase of approximately \$21.1 million, or 40 percent, over the original estimate. Because some portions of the work were delayed to better define requirements, the project is not expected to be completed until June 2009—about 26 months later than planned.

The second, Project 28 for systems development for CBP's Secure Border Initiative (SBInet)—a project to help secure a section of the United States-Mexico border using a surveillance system—did not meet expected outcomes due to a lack of both well-defined requirements and measurable performance standards. CBP awarded the Project 28 contract planned as SBInet's proof of concept and the first increment of the fielded SBInet system before the overall SBInet operational requirements and system specifications were finalized. More than 3 months after Project 28 was awarded, DHS's Inspector General reported that CBP had not properly

¹²Begun in 2001, ACE is intended to replace and supplement existing cargo processing technology and will be developed and deployed in a series of increments. The goals of ACE include (1) supporting border security by enhancing analysis and information sharing with other government agencies and providing CBP with the means to decide before a shipment reaches the border if it should be targeted or expedited and (2) streamlining time-consuming and labor-intensive tasks for CBP personnel and the trade community through a national trade account and single Web-based interface. Task Order 23 was the sole focus of our review.

defined SBInet's operational requirements and needed to do so quickly to avoid rework of the contractor's systems engineering. We found that several performance standards were not clearly defined to isolate the contractor's performance from that of CBP employees, making it difficult to determine whether any problems were due to the contractor's system design, CBP employees, or both. As a result, it was not clear how CBP intended to measure compliance with the Project 28 standard for probability of detecting persons attempting to illegally cross the border. Although it did not fully meet user needs and its design will not be used as a basis for future SBInet development, DHS fully accepted the project after an 8-month delay.¹³ In addition, DHS officials have stated that much of the Project 28 system will be replaced by new equipment and software.

Conversely, we found that contracts with well-defined requirements linked to measurable performance standards delivered results within budget and provided quality service. For example, contracted security services at the San Francisco International Airport for TSA's Screening Partnership Program had well-defined requirements, and all measurable performance standards corresponded to contract requirements—an improvement from our prior reviews of the program.¹⁴ The requirements for gate, checkpoint, and baggage screening services clearly stated that the contractor should use technology and staff to prevent prohibited items from entering sterile areas of the airport and should work to minimize customer complaints while addressing in a timely manner any complaints received. The performance standards assessed how often screeners could successfully detect test images of prohibited items in checked baggage; the percentage of audited records and inspected equipment, property, and materials that were well-kept, operational, and recorded on maintenance logs; and whether all new hires received the required training before assuming their screening responsibilities. In terms of expected outcomes, the contractor achieved a 2.2 percent cost underrun during the first 5 months of the contract and exceeded most requirements.

¹³GAO, *Secure Border Initiative: Observations on the Importance of Applying Lessons Learned to Future Projects*, [GAO-08-508T](#) (Washington, D.C.: Feb. 27, 2008).

¹⁴GAO, *Aviation Security: Preliminary Observations on TSA's Progress to Allow Airports to Use Private Passenger and Baggage Screening Services*, [GAO-05-126](#) (Washington, D.C.: Nov. 19, 2004), and *Aviation Security: Progress Made to Set Up Program Using Private-Sector Airport Screeners, but More Work Remains*, [GAO-06-166](#) (Washington, D.C.: Mar. 31, 2006).

Unreliable Data and Lack of Management Review Constrain Oversight

In managing its service acquisitions, including those that are performance-based, DHS has faced oversight challenges, including a lack of reliable data and systematic management reviews. DHS contracting and program representatives told us that they use a performance-based approach to the maximum extent practicable. However, DHS does not have reliable data—either from the Federal Procurement Data System-Next Generation (FPDS-NG), the governmentwide database for procurement spending, or at a departmentwide level—to systematically monitor or evaluate or report on service acquisitions, including those that are performance-based. Reliable data are essential to overseeing and assessing the implementation of contracting approaches, acquisition outcomes, and making informed management decisions. Moreover, the Chief Procurement Officer (CPO), who has responsibility for departmentwide procurement oversight, has begun some initial review of performance-based service acquisitions, but has not conducted systematic management assessments of this acquisition method.

Our analysis of information provided by contracting representatives at the Coast Guard, CBP, Immigration and Customs Enforcement (ICE), and TSA showed that about 51 percent of the 138 contracts we identified in FPDS-NG as performance-based had none of the required performance-based elements: a performance work statement, measurable performance standards, and a method of assessing contractor performance against performance standards. Only 42 of the 138 contracts, or 30 percent, had all of the elements, and about 18 percent had some but not all of the required performance-based acquisition elements (see table 1).

Table 1: Review of Performance-Based Elements on Selected Contracts

Performance-based elements	Coast Guard	Customs and Border Protection	Immigration and Customs Enforcement	Transportation Security Administration	Total contracts	Percentage of total contracts
All elements	18	3	0	21	42	30.4
Some elements	16	0	5	4	25	18.1
No elements	20	5	34	12	71	51.5
Total	54	8	39	37	138	100.0

Source: GAO analysis of DHS review of 138 contracts coded as performance-based in FPDS-NG.

Lacking reliable FPDS-NG data, reports on the use of performance-based contracts for eligible service obligations are likely inaccurate. Data reported on the use of performance-based contracts by service types—ranging from basic, such as janitorial and landscaping, to complex, such as

information technology or systems development—requested by OFPP in July 2006—are also likely misleading. The Acquisition Advisory Panel and DHS’s CPO also have raised concerns regarding the accuracy of the performance-based designation in FPDS-NG. The Acquisition Advisory Panel’s 2007 report noted from its review at 10 federal agencies that 42 percent of the performance-based contracts the panel reviewed had been incorrectly coded.

Inaccurate federal procurement data is a long-standing governmentwide concern. Our prior work and the work of the General Services Administration’s Inspector General have noted issues with the accuracy and completeness of FPDS and FPDS-NG data.¹⁵ OMB has stressed the importance of submitting timely and accurate procurement data to FPDS-NG and issued memos on this topic in August 2004 and March 2007. Accurate FPDS-NG data could facilitate the CPO’s departmentwide oversight of service acquisitions, including those that are performance-based.

At a departmentwide level, CPO representatives responsible for procurement oversight indicated that they have not conducted systematic assessments including costs, benefits, and other outcomes of a performance-based approach. To improve the implementation of performance-based acquisitions, CPO representatives established a work group in May 2006 to leverage knowledge among DHS components. They also noted that they are working with OFPP to develop a best practices guide on measurable performance standards and to gather good examples of performance-based contracts. In addition, the CPO has implemented a departmentwide acquisition oversight program, which was designed with the flexibility to address specific procurement issues, such as performance-based service acquisitions, and is based on a series of component-level reviews.¹⁶ Some initial review of performance-based acquisitions has begun under this program, but management assessment or evaluation of the outcomes of this acquisition method has not been conducted.

¹⁵For example, GAO, *Reliability of Federal Procurement Data*, GAO-04-295R (Washington, D.C.: Dec. 30, 2003); GAO, *Improvements Needed to the Federal Procurement Data System-Next Generation*, GAO-05-960R (Washington, D.C.: Sept. 27, 2005); and General Services Administration Inspector General, *Review of the Federal Procurement Data System-Next Generation (FPDS-NG)*, Report Number A040127/O/T/F06016 (March 2006).

¹⁶GAO, *Department of Homeland Security: Progress and Challenges in Implementing the Department’s Acquisition Oversight Plan*, [GAO-07-900](#) (Washington, D.C.: June 2007).

Conclusion and Recommendations

Consistent with federal procurement policy, DHS has emphasized a performance-based approach to improve service acquisition outcomes. However, in keeping with our prior findings, DHS's designation of a service acquisition as performance-based was not as relevant as the underlying contract conditions. Sound acquisition practices, such as clearly defining requirements and establishing complementary measurable performance standards, are hallmarks of successful service acquisitions. In the cases we reviewed as well as in prior findings where these key elements were lacking, DHS did not always achieve successful acquisition outcomes. The report we are releasing today recommends that the Secretary of Homeland Security take several actions to increase DHS's ability to achieve improved outcomes for its service acquisitions, including those that are performance-based. These actions include routinely assessing requirements for complex investments to ensure that they are well-defined and developing consistently measurable standards linked to those requirements; systematically evaluating outcomes of major investments and relevant contracting methods; and improving the quality of FPDS-NG data to facilitate identifying and assessing the use of various contracting methods. DHS generally concurred with our recommendations, noting some departmental initiatives under way to improve acquisition management. However, the department's response did not address how the CPO's process and organizational changes at the departmental level will impact component-level management and assessment of complex acquisitions to improve outcomes. Improving acquisition management has been an ongoing challenge since the department was established and requires sustained management attention.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or other members of the committee may have at this time.

Contacts and Acknowledgments

For further information about this statement, please contact John P. Hutton at (202) 512-4841 or huttonj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Staff making key contributions to this statement were Amelia Shachoy, Assistant Director; Jeffrey Hartnett; Sean Seales; Karen Sloan; and Don Springman.

Appendix I: Key Characteristics of Eight Performance-Based Service Contracts

Major investment by component	Service	Well-defined requirements ^a	Measurable performance standards ^b	Outcomes
Coast Guard				
Response Boat Medium	Research, analysis, and financial and information management	●	●	Contractor submitted all required documentation on time; met project management quality standards; and maintained electronic archiving and restoration standards.
Customs and Border Protection				
Automated Commercial Environment	Trade systems software development (task order 23)	○	⊙	Costs increased by 40 percent (\$21.1 million). More than a year behind schedule; unplanned software redesign.
National Prime Integration	Maintenance of equipment used at border crossings, airports, and seaports	●	⊙	Costs increased by 53 percent (\$24 million). Maintenance wait times were longer than planned.
SBI ^{net}	Project 28 border surveillance systems development and fielding	○	⊙	DHS rejected initial acceptance of Project 28. The project was delayed 8 months with final acceptance in February 2008. DHS noted that the contractor met the requirements, but the project did not fully meet DHS's needs and the technology will not be replicated in future SBI ^{net} development.
Transportation Security Administration				
Electronic Baggage Screening Program	Maintenance for explosive trace detection machines	●	●	Contractor exceeded the performance standard for machine downtime with a score 1 hour less than required and operated at cost through the second quarter of fiscal year 2007.
Screening Partnership Program	Passenger screening services at one airport	●	●	Contractor exceeded most performance standards; for example, threat detection performance and false alarm rates exceeded the quality standards. Contractor had cost underrun of 2.2 percent (\$677,000).
Secure Flight	Maintaining database used to screen airline passenger data	●	⊙	Initial contractor planning reports were inadequate; system experienced operational downtime; surveillance reports identified poor contractor performance. Contractor generally met time frames and delivered within budget.
Transportation Worker Identification Credential	Issuing identification credentials to maritime workers	●	●	Outcomes not available at the time of our review.

Legend: ● contract met or mostly met the criteria; ⊙ contract partially met the criteria; ○ contract did not meet the criteria.

Source: GAO analysis.

**Appendix I: Key Characteristics of Eight
Performance-Based Service Contracts**

^aWell-defined requirements should provide clear descriptions of results to be achieved at the time of the award or start of work and primary requirements should not change substantially following contract award.

^bThe set of measurable performance standards for a contract enables the government to assess all aspects of the contractor's work in terms of quality, timeliness, and quantity. The contract's performance standards are also linked to the requirements.

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